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South Africa, Republic of

Grain and Feed

Monthly Update

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Report Highlights:

South Africa's corn crop planted in 2005 is currently estimated at 6.5 million tons, a dramatic decline from the 11.7 million tons produced in 2004. The decrease is due to a voluntary 45% cutback in area planted in an effort to balance supply and demand and bolster prices. Prices have increased but so has the demand for imports while export demand declined. The crop should, however be able to supply the local and usual export demand for white corn while the yellow corn shortage is being met by imports.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Pretoria [SF1]
[SF]

Summary

In an effort to balance corn supply and demand South African commercial farmers cut the area planted by 45% from 2.8 million ha. in 2004 to 1.5 million ha. in 2005. As a result the crop is expected to decline from 11.5 million tons to 6.2 tons, or by 46%. After a slow start to the 2005/06-rainfall season, good falls were recorded from mid December while very good rains followed in January and February. The cutback in area planted meant that only the best soils were planted and only excessive moisture causing nutrient leaching and untimely cold weather can still damage the crop.

Due to an estimated carry over of about 3 million tons at the end of April 2006 the crop should be sufficient to supply the local need of about 8 million tons. The problem is that the market is divided between white corn for human consumption and yellow corn for animal feed. White corn stocks should be sufficient for domestic and traditional export needs while yellow corn is being imported to make up the shortfall. The net result of the exercise is that prices for 2006 have increased to about \$180/mt. for white and \$160/mt. for yellow corn.

US\$1 = Rand 6.25 (03/06/06)

www.sagis.org.za

www.grainsa.co.za

www.safex.co.za

www.fews.net

www.wfp.org

CORN

PSD Table

Country	South Africa					
Commodity	Corn					
1000 HA	2004	Revised	2005	Estimate	2006	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	05/2005		05/2006		05/2007	
Area Harvested	3223	3223	2200	1950	0	2500
Beginning Stocks	2956	2935	3572	3000	1372	500
Production	11716	11715	7500	6500	0	9000
TOTAL Mkt. Yr. Imports	150	450	200	750	0	500
Oct-Sep Imports	131	140	200	470	0	700
Oct-Sep Import U.S.	0	4	0	0	0	0
TOTAL SUPPLY	14822	15100	11272	10250	1372	10000
TOTAL Mkt. Yr. Exports	2300	2200	1000	750	0	500
Oct-Sep Exports	1517	2600	1500	1200	0	500
Feed Dom. Consumption	4300	5300	4200	4400	0	4500
TOTAL Dom. Consumption	8950	9900	8900	9000	0	9000
Ending Stocks	3572	3000	1372	500	0	500
TOTAL DISTRIBUTION	14822	15100	11272	10250	0	10000

Production

The first official production estimate and the revised area planted estimate for the FAS 2005 commercial corn crop were released on February 21, 2006. The figures are close to the forecast we supplied at the end of January. The area planted is estimated at 1.55 million hectares and the crop at 6.2 million tons. The area planted is 45% smaller than the previous season and the crop is down 45.7%. The decline is mainly due to a voluntary cutback in production in an effort to balance supply and demand.

After a late start to the rainfall season, precipitation picked up in December and January and February rainfall was very good, bordering on excessive in some areas. The crop in the east is well developed and only needs a few weeks of sunshine to mature. There are some young fields in the far western areas of the Free State and the North West, which have not yet tasseled and may be vulnerable to early frost. If normal weather patterns continue these areas should also yield well. There is a possibility of a small correction to the area planted estimate to include very late plantings but the crop yields have much more potential to increase, and we could see a second consecutive average yield record being achieved. The cutback in area planted and the fact that farmers are probably planting their very best soils and optimizing inputs also impacts on the high yields being achieved. Although the 2005 irrigated area planted has not been released, the 2004 plantings amounted to 70,000 ha. white corn and 120,000 ha. yellow for a total of 190,000 ha. This was only about 7% of the area planted in 2004 but if the same area were irrigated in 2005 it would amount to about 12.3%. At 10 tons plus per hectare the irrigated production thus plays a bigger role in total production and increases the average yield for the whole crop. Current crop conditions were confirmed during an extensive recent field trip in the company of the USDA/FAS PECAD representative.

The crop in the developing sector has not been announced and we are using our previous forecast.

We also forecast the 2006 season- this is the crop to be planted from November 2006. As the 2005 situation is still very unsettled we have to consider the possible after effects of the 2005 cutback in area planted. The current high prices are likely to restore some of the area to corn while we can only use recent average yields trends at this stage.

A production estimate based on the year of planting and normal rainfall from now on follows:

CORN	2004 area '000 ha.	Yield MT/ha	Prod. '000 MT	2005 area '000 ha.	Yield MT/ha	Prod. '000 MT	2006 Area '000 ha.	Yield MT/ha	Prod. '000 MT
Com.									
White	1,700	3.8	6,540	973	3.9	3,766	1,300	4.1	5,325
Yellow	1,110	4.4	4,910	573	4.3	2,447	800	4.3	3,425
Total	2,810	4.1	11450	1,546	4.0	6,213	2,100	4.2	8,750
Dev.									
White	325	0.6	203	307	0.8	234	325	0.6	200
Yellow	89	0.7	63	97	0.6	53	75	0.7	50
Total	414	0.6	266	404	0.7	287	400	0.6	250
Total corn									
White	2,025	3.3	6,743	1,280	3.1	4,000	1,625	3.4	5,525
Yellow	1,199	4.1	4,973	670	3.7	2,500	875	4.0	3,475
TOTAL	3,224	3.6	11716	1,950	3.3	6,500	2,500	3.6	9,000

The 2004 and 2005 area and production estimate for the main production areas, the Free State, North West and Mpumalanga, follows:

	Area	'000	Ha	Yield	MT/ha		Prod.	'000	MT
	White	Yellow	Total	White	Yellow	Total	White	Yellow	Total
Free State									
2004	660	385	1045	4.03	3.78	3.94	2658	1455	4113
2005	340	193	533	3.85	3.59	3.76	1309	693	2002
North West									
2004	680	215	895	3.21	3.15	3.20	2185	678	2863
2005	375	112	487	3.2	3.1	3.18	1200	347	1547
Mpumalanga									
2004	224	336	560	5.06	4.98	5.01	1134	1673	2807
2005	154	182	336	4.75	4.7	4.72	732	855	1587
Total									
2004	1700	1110	2810	3.85	4.42	4.07	6541	4909	11450
2005	973	573	1546	3.87	4.27	4.02	3766	2447	6213

Consumption

We include commercial silo deliveries for March and April in our delivery figure as, depending on the season, the new crop becomes available from March each year. We would normally expect to receive only a few thousand tons in February.

Commercial deliveries up to the end of January 2006 are shown in the following table:

Deliveries '000 MT	White corn	Yellow corn	Total corn
March 2005	18	53	71
April	37	104	141
May – Jan.	6,027	3,853	9,800
TOTAL	6,082	4,010	10,092
Crop estimate	6,540	4,910	11,450
Farm retentions	458	900	1,358

There is still more than 1.3 million tons of the revised 2004 crop unaccounted for. We can consider this as farm retentions although it is much higher than the usual estimate of 450,000 tons (100,000 tons white and 350,000 tons yellow) retained on farms. (It is more likely that the 2004 crop was overestimated, as the average yields were very high). It can also be assumed that a portion of the additional retentions is being stored for later sale. If half of the additional retentions reach the market later this year it could amount to about 180,000 tons of white and 275,000 tons of yellow corn for a total of 455,000 tons.

A commercial PS&D based on deliveries can be supplied to highlight the current situation.

FAS 2004	May05/April 06	Commercial S&D	'000 MT
'000 Metric tons	White	Yellow	Total
B/Stocks, May 1, 05	2345	590	2935
Revised Production	6540	4910	11450
Deliveries, March –Jan	6080	4010	10090
Farm retentions	460	900	1360
Imports	0	450	450
Total supply	8425	5050	13475
Expected exports	1750	450	2200
Expected consumption	4675	3600	8275
Ending stocks*	2000	1000	3000

* Plus some of the additional stock kept on farms.

We can also supply a 2006/07 scenario based on the first official crop estimate, in this table it shows that white corn supplies should be sufficient to carry through the 2006/07 marketing year and allow for some exports. The higher price levels are likely to suppress domestic and regional demand. White corn conforming to South Africa's Biotech requirements will be expensive and hard to find although it is rumored that some supplies may already be on their way from Mexico. If the situation becomes tight imports can always be milled near the ports restricting whole grain movement. The South African industry is, however, finding it more and more difficult to effectively separate Biotech and non-Biotech corn and with cross contamination both in the fields and in the handling equipment it will soon become difficult to supply no-Biotech certification. Yellow corn supplies will be tight but the shortfall can be made up by suitable Biotech imports from Argentina. Since January, 206,000 tons were imported and unloaded in the ports of Cape Town, Port Elizabeth, East London and Durban.

The following table contains the details:

FAS 2005 forecast	MY May 06/April 07	Commercial S&D	'000 MT
1,000 MT	White	Yellow	Total
B/Stocks*	2000	1000	3000
Crop estimate	3766	2447	6213
Farm retentions	116	347	463
Expected Deliveries	3650	2100	5750
Imports	0	750	750
Supply	5650	3850	9500
Exports	700	50	750
Consumption	4700	3550	8250
E/Stock	250	250	500

The low ending stocks shown is not a concern as irrigation farmers will be encouraged by the higher price levels and plant early to enjoy the higher prices.

Trade

In the meantime exports continue unabated with about 200,000 tons exported in February. Zimbabwe continues to be the main market taking 59% of white corn exports through March 3 and is averaging about 85,000 tons per month. Both Malawi and Zambia must pick up their rate of imports substantially over the next few months to avert famine. Current high price levels and clogged supply lines are slowing down the process. The high prices also killed off the possibility of major overseas sales as well as dampening the World Food Program's appetite for South African corn.

The following table shows South Africa's 2005/06-corn trade to date.

Corn Exports MT	01/28- 02/03	02/04- 02/10	02/11- 02/17	02/18- 02/24	02/25- 03/03	05/04/30- 06/02/17
White						
Angola						13 344
Benin						2 278
Botswana	3222	3810	2670	1552	2073	154 027
Cameroon			409		560	2 743
Chad			151			151
Ghana						7 638
Kenya						33 614
Lesotho	3594	4641	3809	1135	68	67 754
Madagascar						967
Malawi	906	973	2564	1828	1802	49 922
Mali						2 258
Mozambique	1995	1938	3510	2175	2128	119 570
Namibia	3783	2438	1542	2411	1583	41 217
Sudan						28 272
Swaziland	59	906	768	631	29	21 198
Tanzania						10 000
Zambia	2887	4671	3151	5773	3131	60 631
Zimbabwe	13181	49869	13517	13955	15527	874 603
Total	29 627	69 246	32 091	29460	26901	1 490 187
Yellow						
Angola						204
Botswana	336	682	791	152	337	18 634
Indonesia						49 500
Iran						93 284
Japan						113 098
Lesotho						1 647
Malawi				118		118
Mozambique	535	79	387	80	52	8 215
Namibia	287	370	270	302	99	15 345
Swaziland	812	859	720	978	593	28 665
Zambia						189
Zimbabwe	276	906	1308	804	853	6 283
Total	2 246	2 896	3 476	2434	1934	335 182
Grand total	31 873	72 142	35 567	31894	28 835	1 825 369
Imports						
Yellow						
Argentina	16 507	40 920	39 834	19006	31519	206 504

Prices

The main reason for the production cutback this year was the low SAFEX prices after harvest in 2005. In June both white and yellow corn prices for August, October and December were well below \$100/ton, or R600/ton at the current exchange rate. This was due to the usual post harvest price slump and the commercial crop estimate of 12 million tons at that stage implying a big surplus. The official crop estimate is mainly based on farmer's returns and the market also seemed to support the estimate. Deliveries to the silos, however, disappointed while farmers reportedly increased farm retentions due to the low prices. Farmers claimed

that the \$100/ton was below their cost of production and decided to cut back the area planted in 2005. Grain SA was actually advising farmers not to plant at all. Basically international corn prices vary about 10% to either side of \$100/ton. SAFEX is a much more volatile market with the March 06 white corn price nearly doubling from June to December 2005 and the yellow corn price increasing by 50%.

The following table shows current SAFEX futures prices.

Rand/MT	US\$/MT			
White corn	December 05	March 06	August 05	October 05
06/27/05	R634=\$94.5	R670=\$99.9	R574=\$85.5	R593=\$88.4
07/27/05	R671=\$100.9	R709=\$106.6	R619=\$122.6	R632=\$107.8
08/31/05	R735=\$114.0	R766=\$118.8	May 06	R695=\$107.8
09/30/05	R847=\$133.4	R868=\$136.7	R867=\$136.5	R823=\$129.6
11/03/05	R834=\$125.4	R851=\$128.0	R856=\$128.7	July 06
11/30/05	R959=\$147.5	R978=\$150.5	R975=\$150.0	R980=\$150.8
12/27/05	September 06	R1227=\$193.2	R1204=\$189.6	R1195=\$188.2
01/26/06	R1110=\$185.0	R1076=\$179.3	R1075=\$179.2	R1091=\$181.8
03/06/06	R1150=\$187.0		R1120=\$182.1	R1132=\$184.1
Yellow corn	December 05	March 06	August 05	October 05
06/27/05	R669=\$99.7	R705=\$105.1	R607=\$90.5	R629=\$93.7
07/27/05	R667=\$100.3	R697=\$104.8	R625=\$94.0	R635=\$95.5
08/31/05	R683=\$105.9	R708=\$109.8	May 06	R645=\$100
09/30/05	R772=\$121.6	R780=\$122.8	R786=\$123.8	R755=\$118.9
11/03/05	R777=\$116.8	R789=\$118.6	R801=\$120.9	July 06
11/30/05	R797=\$122.6	R804=\$123.7	R837=\$128.8	R814=\$125.2
12/27/05	September 06	R995=\$156.7	R1005=\$158.3	R1005=\$158.3
01/26/06	R975=\$162.5	R970=\$161.7	R964=\$160.7	R960=\$160.0
03/03/06	R1000=\$162.6		R993=\$161.5	R995=\$161.8